

CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board

Thursday, April 5, 2012
11:00 A.M.

915 Capitol Mall, Room 110
Sacramento, California 95814

Deputy State Treasurer Tricia Wynne, serving as Chair, called the meeting to order.

Roll Call

Members Present: Patricia Wynne, designee for Bill Lockyer, State Treasurer
Pedro Reyes, designee for Ana Matosantos, Director of Finance
Kathleen Moore, designee for Tom Torlakson, Superintendent of Public Instruction

Staff Present: Katrina Johantgen, Executive Director
Terri Kizer, Program Analyst
Steven Theuring, Program Analyst

The Chair declared a quorum present.

Approval of Minutes

The minutes for the March 14, 2012 Authority Board meeting were approved as submitted.

Executive Director's Report

CSFA Fund Balances: Ms. Johantgen provided an update of current fund balances and advised that the requested QSCB allocation for the Alliance for College-Ready Public Schools is under review and is currently in the "pending application category" until staff has information to make a sound recommendation on the allocation. CSFA recently received a QSCB allocation application from High Tech High which is under review. These two items will be presented for action at a future board meeting. Approval of these two allocations will result in a small remaining balance for the Qualified School Construction Bond program.

Legislative Update: Staff is working with the Department of Finance on a few revisions to the "Trailer Bill" language as it pertains to the CSFA act in terms of working capital issuances, as well as conforming language to include the categorical block grant category as a revenue source for repaying debt.

Credit Enhancement Grant: The U.S. Department of Education Credit Enhancement Grant becomes effective at the end of April 2012. CSFA staff is working on an email that will be sent to all charter schools regarding the grant. This email will clearly define the approved regulations, as many charter schools will not be eligible for this funding.

Resolution 12-12 – Authorizing the Issuance from Time To Time of Notes in an Aggregate Amount Not To Exceed \$5,575,000* to Finance Working Capital Loans to Certain Charter Schools In Maximum Loan Amounts* Indicated on Exhibit A, Approving the Form of a Note

Purchase Agreement, Loan Agreements and an Indenture Therefor, and Authorizing Certain Other Actions in Connection Therewith

Ms. Johantgen described the authorization of approving notes for financing working capital loans to charter schools listed on Exhibit A. Ms. Johantgen stated that some members of the financing team were present to answer questions. Approval of this item adopts the issuance of series 2012 B Revenue Anticipation Notes. This is a Citibank community financing for charter schools participating in the program.

Mike Kremer, representing First Southwest Company, presented a detailed and informative comparison of pros and cons of the program. He discussed the structure of the previously approved Series A revenue anticipation notes (RAN). He stated that series A and Series B are structured the same. Mr. Kremer advised an application fee was imposed for Series B, which will be applied toward the transaction costs and would be refundable if the school does not meet the credit criteria.

Mr. Pedro Reyes, recalled concerns from a previous board meeting regarding short term borrowings and requested that updates be provided regarding the effectiveness, progress, and value of this type of financing. He requested that information be reported a few months into the program.

Ms. Moore reaffirmed the comments provided at a prior meeting by Ms. Jeannie Oropeza on behalf of the California Department of Education and asked that both Authority staff and Citibank staff provide some feedback at a future meeting.

Ms. Johantgen confirmed follow-up information would be provided at future meetings and recommended the members adopt Resolution 12-12.

Moira Topp, of CCSA Advocates, thanked the board members for supporting this funding program. On behalf of the California Charter Schools Association she expressed their appreciation to the members for their support and dedication to the program as it moves forward.

It was moved, seconded, and passed unanimously to adopt Resolution No. 12-12 to approve the issuance of notes financing working capital loans to certain charter schools indicated on Exhibit A.

Resolution No. 12-13 – Approving the allocation of Qualified School Construction Bond (QSCB) Borrowing Authority to Alliance College Ready Public Charter Schools in an Amount Not to Exceed \$15,000,000* under the Charter School QSCB Program and Authorizing the Taking of Necessary Actions in Connection Therewith

This item held over until a future meeting.

Resolution No. 12-14 – Approving a Financially Sound Determination for the Charter School Facilities Program for Advance/Final Apportionment for Roseland Charter School Located in Sonoma County, California

This item held over until a future meeting. The members discussed the school's student academic performance; however, no action was taken during this meeting.

Resolution No. 12-15 – Approving a Financially Sound Determination for the Charter School Facilities Program for Advance/Final Apportionment for Oakland Unity High School Located in Alameda County, California

Mr. Theuring described the request by Oakland Unity High School (OUHS) for an advance apportionment for site acquisition in the amount of \$6,600,000. In assessing the school's financial soundness status, staff reviewed updated information. Mr. Theuring reported on the following updated information regarding OUHS: student enrollment and projections, the school's debt service, student academic performance, test scores, AYP, API scores and state ranking. He also reported on administrative charter, legal and financial disclosures.

In response to Mr. Reyes' questions about the preferred rate of 10% - 15% for CSFP payments over revenue, Ms. Johantgen confirmed the rate is conservative. She explained that when the CSFP methodology report was initially developed in 2004, the target zones were set conservatively for all projections, ratios, COLA's, and the amount of the percentage of lease burden levels. Since then, the Authority has employed the same conservative standards and projections for all schools.

Staff recommended that the members find Oakland Unity High School (OUHS) financially sound for Advance Apportionment. This determination is in place for six months and assumes no financial, operational, or legal material findings within this time period. This recommendation is contingent upon OUHS electing to have its CSFP payments intercepted at the state level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code.

It was moved, seconded, and passed unanimously to adopt Resolution No. 12-15 approving a financially sound determination for advance apportionment for Oakland Unity High School. This determination is in place for six months assuming no material findings within this time period and is contingent upon the intercept of the CSFP payments pursuant to Section 17199.4 and 17078.57(a)(1)(A) of the Education Code.

Other Business:

Ms. Johantgen provided an update regarding the CSFP Program Agreements. She expressed thanks to Deborah Yang, STO Legal Counsel, who has reviewed the forms of the MOU and the Funding Agreement with staff and the forms have been updated. Now when schools are found to be financially sound they will be given standardized forms to execute.

Public Comment:

There being no additional public comments or other business to conduct, the meeting was adjourned.

Respectfully submitted,

Katrina Johantgen
Executive Director

EXHIBIT A

CSFA Resolution No. 12-12

The Borrowers are one or more of the following charter schools under the Charter School Law:

| No. | School | CDS Code | City | Not to Exceed Loan Amount |
|------------|--------------------------------------|------------------|--------------|----------------------------------|
| 1. | Magnolia Science Academy 1 | 19-64733-6119945 | Reseda | \$830,000 |
| 2. | Magnolia Science Academy 2 | 19-64733-0115212 | Van Nuys | 585,000 |
| 3. | Magnolia Science Academy 3 | 19-64733-0115030 | Carson | 501,000 |
| 4. | Magnolia Science Academy 4 | 19-64733-0117622 | Los Angeles | 334,000 |
| 5. | Magnolia Science Academy 5 | 19-64733-0117630 | Hollywood | 408,000 |
| 6. | Magnolia Science Academy 7 | 19-64733-0117655 | Northridge | 200,000 |
| 7. | Magnolia Science Academy Bell | 19-64733-0122747 | Bell | 748,000 |
| 8. | Magnolia Science Academy Santa Clara | 43-10439-0120261 | Sunnyvale | 142,000 |
| 9. | Pacific Technology School Orangevale | 09-76596-0119529 | Orangevale | 273,000 |
| 10. | Bay Area Technology | 01-61259-0106906 | Oakland | 508,000 |
| 11. | East Oakland Leadership Academy | 01-61259-0100123 | Oakland | 154,000 |
| 12. | East Oakland Leadership Academy High | 01-61259-0116137 | Oakland | 162,000 |
| | | | TOTAL | \$4,845,000 |